

SUMMARY ANALYSIS OF AMENDED BILL

Author: Alquist Analyst: Jeani Brent Bill Number: AB 1662

Related Bills: See Prior Analysis Telephone: 845-3410 Amended Date: 04/28/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Community College Property, Facility, and Maintenance Costs Credits

- ☒ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as amended March 12, 1998.
- ☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.
- ☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as amended March 12, 1998.
- ☐ FURTHER AMENDMENTS NECESSARY.
- ☐ DEPARTMENT POSITION CHANGED TO _____.
- ☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 12, 1998, STILL APPLIES.
- ☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Revenue and Taxation Code, this bill would allow three separate tax credits for donations to community colleges in California. The credits would be allowed for: (1) the cost of donated qualified property, (2) the cost of modifications to a qualified facility that is donated to a community college, or (3) monetary donations to maintain the qualified facility.

Under the Education Code, this bill also would provide legislative intent and rules regarding a public-private partnership between community colleges and California businesses. This analysis does not address these provisions because they would not impact the department's programs and operations.

SUMMARY OF AMENDMENT

The April 28, 1998, amendment changed the operative date of the three credits to apply to taxable or income years beginning on or after January 1, 1999, and before January 1, 2003.

The April 28, 1998, amendments also resolved the technical considerations addressed in the department's analysis of the bill as amended March 12, 1998, by changing the "placed in service" requirement for the facility credit to instead refer to the time when the modification of the facility is complete. Also the amendment corrected a reference in the maintenance credit.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

☒ X ☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
☐ PENDING

Agency Secretary Position:

☐ S ☐ O
☐ SA ☐ OUA
☐ N ☐ NP
☐ NA ☐ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved _____
Position Disapproved _____
Position Noted _____

Department/Legislative Director Date
Johnnie Lou Rosas **5/15/98**

Agency Secretary Date

By: Date:

The April 28, 1998, amendment also modified the Education Code provisions. Specifically, the bill would state the Legislature's intent that the facilities eligible for the credits would be made accessible to community college students and not used exclusively as contract worksite training locations, as described.

Except for the Technical Considerations and a new revenue estimate, the departments analysis of the bill as amended March 12, 1998, still applies. Also, the April 28, 1998, amendment raises the following policy consideration.

Policy Considerations

Although the bill provides that the Legislature does not intend for the facilities to be used exclusively as contract worksite training locations, nothing in the Revenue and Taxation Code provisions would prevent the allowance of the credit for facilities used exclusively as contract worksite training locations.

Tax Revenue Estimate

This bill is estimated to impact Personal Income Tax and Bank and Corporation Tax revenues as shown in the following table. It was assumed that both costs incurred for donated property and actual contributions would occur in taxable or income years beginning after December 31, 1998 and before January 1, 2003.

Fiscal Year Cash Flow Taxable Years Beginning After December 31, 1998 Enactment Assumed After June 30, 1998 \$ Millions			
1998-9	1999-0	2000-01	2001-02
(minor*)	(\$8.5)	(\$9)	(\$9)

* Loss less than \$500,000

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Revenue Discussion

The revenue impact for this bill would be determined by the amount of donations and the amount of credits applied against available tax liabilities.

This amended version differs from the March 12, 1998, version by changing the effective dates from 1998 through 2002 to 1999 through 2003.

This bill would provide credits for the modification or renovation, maintenance, and equipping of high-technology educational facilities in community colleges. It is assumed, as previously, that \$12 million would be donated annually for building modifications. The amount and average cost of equipment donations qualifying under this bill was developed through discussions with the California Postsecondary Education Commission Office, California Community College Chancellor's Office, and the foundation office at American River College.

The latter donations are based on a statewide total of \$160 million in qualifying equipment donations over four years. Taken together, the donations for modifications, maintenance, and equipment generate approximately \$36 million in credits over four years. The fiscal revenue loss pattern presented in the table above incorporates information received from the sources described above concerning the timing of donations. It was assumed that 75% of allowable credits would be applied in any given year and the remaining would be carried over and exhausted by the third year.